DAWNRAYS PHARMACEUTICAL (HOLDINGS) LIMITED

東瑞製葯(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2348)

ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

RESULTS HIGHLIGHTS

	For the year ended 31 December		
	2013	2012	Changes
Revenue (RMB'000)	914,973	856,539	+6.8%
Gross profit (RMB'000)	403,248	324,395	+24.3%
Gross profit margin (%)	44.1%	37.9%	+6.2 percentage points
Profit before tax (RMB'000)	188,966	144,641	+30.6%
Profit for the year (RMB'000)	153,099	114,506	+33.7%
Net profit margin (%)	16.7%	13.4%	+3.3 percentage points
Earnings per share attributable to ordinary equity holders of the parent-basic (RMB)	0.1910	0.1432	+33.4%
Proposed final dividend per share (HK$)	0.068	0.055	+23.6%

The board (the "Board") of the directors (the "Directors") of Dawnrays Pharmaceutical (Holdings) Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2013(the "reporting period") together with the comparative amounts for 2012 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2013

	Notes	2013	2012
		RMB'000	*RMB'000*
REVENUE	5	914,973	856,539
Cost of sales		(511,725)	(532,144)
Gross profit		403,248	324,395
Other income and gains	5	17,197	14,374
Selling and distribution expenses		(112,749)	(104,711)
Administrative expenses		(61,609)	(53,070)
Other expenses		(53,521)	(32,522)
Finance costs	6	(3,600)	(3,825)
PROFIT BEFORE TAX	7	188,966	144,641
Income tax expense	8	(35,867)	(30,135)
PROFIT FOR THE YEAR		153,099	114,506
Attributable to:			
Owners of the parent		153,099	114,506
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
- basic, for profit for the year		RMB0.1910	RMB0.1432
- diluted, for profit for the year		RMB0.1908	RMB0.1429

Details of the dividends payable and proposed for the year are disclosed in note 9 to the results announcement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	2013	2012
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	153,099	114,506
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences	2,240	324
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	2,240	324
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	155,339	114,830
Attributable to:		
Owners of the parent	155,339	114,830

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2013

	Notes	2013 *RMB'000*	2012 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		536,832	385,782
Land use rights		43,298	44,339
Construction in progress		102,232	195,107
Intangible assets		16,758	21,821
Deferred tax assets		2,843	703
Total non-current assets		701,963	647,752
CURRENT ASSETS			
Inventories		155,887	182,918
Trade and notes receivables	11	381,203	402,922
Prepayments, deposits and other receivables		13,307	14,432
Equity investments at fair value through profit or loss		5,896	5,705
Pledged bank deposits		257,121	160,220
Cash and cash equivalents		205,771	155,694
Total current assets		1,019,185	921,891
CURRENT LIABILITIES			
Trade and notes payables	12	245,139	285,319
Other payables and accruals		95,859	69,825
Interest-bearing bank loans		248,176	201,751
Income tax payable		7,177	5,992
Total current liabilities		596,351	562,887
NET CURRENT ASSETS		422,834	359,004
TOTAL ASSETS LESS CURRENT LIABILITIES		1,124,797	1,006,756
NON-CURRENT LIABILITIES			
Government grants		3,884	2,094
Deferred tax liabilities		29,176	22,550
Total non-current liabilities		33,060	24,644
Net assets		1,091,737	982,112
EQUITY			
Equity attributable to owners of the parent			
Issued capital		84,973	84,838
Reserves		963,399	861,866
Proposed final dividend	9	43,365	35,408
		1,091,737	982,112
Non-controlling interest		-	-
Total equity		1,091,737	982,112

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) as issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention except for financial assets at fair value through profit or loss that have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

<u>Basis of consolidation</u>

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of the subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Government Loans*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 – *Transition Guidance*

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IFRS 13	*Fair Value Measurement*
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
IAS 19 (Revised 2011)	Amendments to IAS 19 *Employee Benefits*
IAS 27 (Revised)	*Separate Financial Statements*
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*
IAS 36 Amendments	Amendments to IAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets (early adopted)*
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of IFRSs issued in May 2012

The adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 9	*Financial Instruments*[4]
IFRS 9, IFRS 7 and IAS 39 Amendments	*Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39*[4]
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) – *Investment Entities*[1]
IFRS 14	*Regulatory Deferral Accounts*[3]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments*: *Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
IAS 39 Amendments	Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
IFRIC 21	*Levies*[1]
Annual Improvements 2010-2012 Cycle	Amendments to a number of IFRSs issued in December 2013[2]
Annual Improvements 2011-2013 Cycle	Amendments to a number of IFRSs issued in December 2013[2]

[1] Effective for annual periods beginning on or after 1 January 2014
[2] Effective for annual periods beginning on or after 1 July 2014
[3] Effective for annual periods beginning on or after 1 January 2016
[4] No mandatory effective date yet determined but is available for adoption

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

IFRS 9 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments: Recognition and Measurement.* This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

In October 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

In November 2013, the IASB added to IFRS 9 the requirements related to hedge accounting and made some related changes to IAS 39 and IFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to IFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to IFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other IFRS 9 requirements at the same time.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of IFRS 9 was removed in December 2013 and a mandatory effective date will be determined after the entire replacement of IAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

The amendments to IFRS 10 issued in October 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (Revised). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in IFRS 10.

In 30 January 2014, the IASB issued IFRS 14 *Regulatory Deferral Accounts* to ease the adoption of IFRS for rate-regulated entities. The standard allows an entity to continue applying most of its existing accounting policies for regulatory deferral account balances upon adoption of IFRS. This interim standard provides first-time adopters of IFRS with relief from derecognising rate-regulated assets and liabilities until a comprehensive project on accounting for such assets and liabilities is completed by the IASB. IFRS 14 is intended to encourage rate-regulated entities to adopt IFRS while bridging the gap with entities that already apply IFRS, but do not recognise regulatory deferral accounts. This would be achieved by requiring separate presentation of the regulatory deferral account balances (and movements in these balances) in the statement of financial position and statement of profit or loss and comprehensive income.

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

The IAS 19 Amendments apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The Group expects to adopt the amendments from 1 January 2015.

The IAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

The IAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The Group expects to adopt the amendments from 1 January 2014.

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The Group expects to adopt the interpretation from 1 January 2014.

4. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and has two reportable segments as follows:

a) Manufacture and sale of intermediates and bulk medicines (the "intermediates and bulk medicines" segment)
b) Manufacture and sale of finished drugs (including antibiotics finished drugs and non-antibiotics finished drugs) (the "finished drugs" segment)

Management monitors the operating results of these operating segments for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, government grants, dividend income, fair value gains/(losses) from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, pledged bank deposits, cash and cash equivalents, equity investments at fair value through profit or loss and other unallocated head office and corporate assets as these assets are managed on a group basis.

4. **SEGMENT INFORMATION (continued)**

Segment liabilities exclude interest-bearing bank loans, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2013	Intermediates and bulk medicines *RMB'000*	Finished drugs *RMB'000*	Elimination of intersegment sales *RMB'000*	Total *RMB'000*
Segment revenue:				
Sales to external customers	364,818	550,155	-	914,973
Intersegment sales	67,519	-	(67,519)	-
	432,337	550,155	(67,519)	914,973
Segment results	(15,984)	290,059	-	274,075
Reconciliation:				
Unallocated gains				14,589
Corporate and other unallocated expenses				(96,098)
Finance costs				(3,600)
Profit before tax				188,966

Year ended 31 December 2012	Intermediates and bulk medicines *RMB'000*	Finished drugs *RMB'000*	Elimination of intersegment sales *RMB'000*	Total *RMB'000*
Segment revenue:				
Sales to external customers	377,531	479,008	-	856,539
Intersegment sales	82,266	-	(82,266)	-
	459,797	479,008	(82,266)	856,539
Segment results	(2,053)	221,946	-	219,893
Reconciliation:				
Unallocated gains				9,050
Corporate and other unallocated expenses				(80,477)
Finance costs				(3,825)
Profit before tax				144,641

4. SEGMENT INFORMATION (continued)

As at 31 December 2013	Intermediates and bulk medicines *RMB'000*	Finished drugs *RMB'000*	Total *RMB'000*
Segment assets:	580,223	480,709	1,060,932
Reconciliation:			
Corporate and other unallocated assets			660,216
Total assets			1,721,148
Segment liabilities:	183,589	108,444	292,033
Reconciliation:			
Corporate and other unallocated liabilities			337,378
Total liabilities			629,411

As at 31 December 2012	Intermediates and bulk medicines *RMB'000*	Finished drugs *RMB'000*	Total *RMB'000*
Segment assets:	698,089	403,287	1,101,376
Reconciliation:			
Corporate and other unallocated assets			468,267
Total assets			1,569,643
Segment liabilities:	190,397	44,663	235,060
Reconciliation:			
Corporate and other unallocated liabilities			352,471
Total liabilities			587,531

Geographical information

(a) Revenue from external customers

	2013 *RMB'000*	2012 *RMB'000*
Mainland China	824,494	755,759
India	2,007	28,996
Other countries	88,472	71,784
	914,973	856,539

The revenue information above is based on the locations of the customers.

(b) Non-current assets

The Group's operations are substantially based in Mainland China and over 95% of the non-current assets, exclude deferred tax asssets, of the Group are located in Mainland China. Therefore, no further analysis of geographical information is presented.

Information about major customers

Revenue from continuing operations of approximately RMB107,342,000 (2012: RMB75,174,000) was derived from sales by the finished drugs segment to a single customer.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of the Group's revenue, other income and gains is as follows:

	Group	
	2013	2012
	RMB'000	*RMB'000*
Revenue		
Sale of goods	914,973	856,539
Other income		
Bank interest income	9,123	4,809
Dividend income from equity investments at fair value through profit or loss	220	216
Foreign exchange differences	2,159	610
Government grants	3,926	5,785
Others	1,673	1,969
	17,101	13,389
Gains		
Gain on disposal of equity investments at fair value through profit or loss	96	28
Fair value gains, net:		
Equity investments at fair value through profit or loss	-	957
	96	985
	17,197	14,374

6. FINANCE COSTS

	Group	
	2013	2012
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	3,600	3,825

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Group	
	2013	2012
	RMB'000	*RMB'000*
Cost of inventories sold*	508,622	528,582
Depreciation	34,465	28,402
Recognition of land use rights **	1,041	1,041
Research and development costs:		
Amortisation of intangible assets ***	722	1,078
Current year expenditure	33,839	25,743
	34,561	26,821
Minimum lease payments under operating leases:		
Buildings	873	1,604
Auditors' remuneration	1,200	1,200
Employee benefit expense (including directors' and chief executive officer's remuneration):		
Wages and salaries	78,342	67,739
Equity-settled share option expense	1,412	1,439
Retirement benefits	7,117	6,898
Accommodation benefits	3,175	3,026
Other benefits	12,413	11,461
	102,459	90,563
Foreign exchange differences, net	(2,159)	(610)
Impairment of property, plant and equipment	12,517	-
Reversal of impairment of trade receivables	(38)	(100)
Write-down of inventories to net realisable value	5,591	3,568
Fair value losses /(gains), net:		
Equity investments at fair value through profit or loss	36	(957)
Bank interest income	(9,123)	(4,809)
Loss on disposal of items of property, plant and equipment	265	118
Expense off intangible assets	6,880	-
Gain on disposal of equity investments at fair value through profit or loss	(96)	(28)

* The depreciation of RMB26,281,000 for the year is included in "Cost of inventories sold".

** The recognition of land use rights for the year is included in "Administrative expenses" on the face of the consolidated statement of profit or loss.

*** The amortisation of intangible assets for the year is included in "Other expenses" on the face of the consolidated statement of profit or loss.

8. INCOME TAX

The major components of income tax expense for the years ended 31 December 2013 and 2012 are:

	Group	
	2013	2012
	RMB'000	*RMB'000*
Current income tax		
Current income tax charge	31,307	22,563
Adjustments in respect of current income tax in previous years	74	219
Deferred income tax	4,486	7,353
Total tax charge for the year	35,867	30,135

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gain or appreciation shall apply to the Company or its operations. The undertaking for the Company is for a period of 20 years from 8 October 2002. Accordingly, the Company is not subject to tax.

The subsidiary incorporated in the British Virgin Islands (the "BVI") is not subject to income tax, as this subsidiary does not have a place of business (other than a registered office only) or carry out any business in the BVI.

The Hong Kong subsidiaries are subject to a statutory corporate income tax rate of 16.5% (2012: 16.5%) under the income tax rules and regulations of Hong Kong. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in its respective Hong Kong subsidiaries during the year (2012: Nil).

According to the PRC Enterprise Income Tax Law effective from 1 January 2008, the Mainland China Subsidiaries are all subject to income tax at the rate of 25% on their respective taxable income.

On 21 October 2008, Suzhou Dawnrays Pharmaceutical Co., Ltd. ("Suzhou Dawnrays Pharmaceutical") was qualified as a High-New Technology Enterprise ("HNTE") of Jiangsu Province. As a result, Suzhou Dawnrays Pharmaceutical had been entitled to a concessionary rate of income tax at 15% for three years commencing 1 January 2008. During the year ended 31 December 2011, Suzhou Dawnrays Pharmaceutical renewed the qualification of the HNTE of Jiangsu Province. As a result, Suzhou Dawnrays Pharmaceutical was entitled to a concessionary rate of income tax at 15% for three years commencing 1 January 2011.

All other subsidiaries in Mainland China were subject to the corporate income tax rate of 25% in 2013.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

8. INCOME TAX (continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the country or jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate to the effective tax rate, are as follows:

	Group	
	2013	2012
	RMB'000	*RMB'000*
Accounting profit before income tax	188,966	144,641
At the PRC's statutory income tax rate of 25% (2012: 25%)	47,241	36,160
Tax effect of profits entitled to tax concession or lower tax rate enacted by local authority	(19,472)	(15,576)
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	7,816	6,318
Adjustments in respect of current income tax of previous years	74	219
Expenses not deductible for tax	81	397
Tax credit for qualified research and development expense	(1,893)	(1,584)
Tax losses not recognised	2,699	4,589
Tax losses from previous periods utilised	(679)	(388)
At the effective income tax rate of 18.98% (2012: 20.83%)	35,867	30,135

9. DIVIDENDS

	Company	
	2013	2012
	RMB'000	*RMB'000*
Interim - HK$0.02 (2012: HK$0.015) per ordinary share	12,661	9,771
Proposed final – HK$0.068 (2012: HK$0.055) per ordinary share	43,365	35,408
	56,026	45,179

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 801,489,129 (2012: 799,609,530) in issue during the year.

The weighted average number of ordinary shares used in the calculation of diluted earnings per share is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2013	2012
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent	153,099	114,506

	Number of shares	
	2013	2012
	Thousands	Thousands
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	801,489	799,610
Effect of dilution – weighted average number of ordinary shares:		
Share options	864	1,489
Weighted average number of ordinary shares adjusted for the effect of dilution	802,353	801,099

11. TRADE AND NOTES RECEIVABLES

	Group	
	2013	2012
	RMB'000	*RMB'000*
Trade receivables	135,354	171,664
Impairment	(879)	(917)
	134,475	170,747
Notes receivable	246,728	232,175
	381,203	402,922

11. TRADE AND NOTES RECEIVABLES (continued)

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally three months for major customers. Each customer has a credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to manage credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade and notes receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, net of provisions, is as follows:

	Group	
	2013	2012
	RMB'000	*RMB'000*
Trade receivables		
Outstanding balances with ages:		
Within 90 days	102,845	164,646
Between 91 and 180 days	29,404	3,056
Between 181 and 270 days	2,146	3,037
Between 271 and 360 days	-	-
Over one year	80	8
	134,475	170,747

The movements in provision for impairment of trade receivables are as follows:

	Group	
	2013	2012
	RMB'000	*RMB'000*
At 1 January	917	1,017
Impairment losses reversed	(38)	(100)
At 31 December	879	917

The above provision for impairment of trade receivables is provided for individually impaired trade receivables with an aggregate carrying amount before provision of RMB879,000 (2012: RMB917,000). The individually impaired trade receivables relate to customers with financial difficulties. The Group does not hold any collateral or other credit enhancements over these balances.

11. TRADE AND NOTES RECEIVABLES (continued)

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	2013	2012
	RMB'000	*RMB'000*
Neither past due nor impaired	102,845	164,646
Less than three months past due	29,404	3,056
Over three months past due	2,226	3,045
	134,475	170,747

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Group are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

Financial assets that are not derecognised in their entirety

At 31 December 2013, the Group endorsed certain notes receivable accepted by banks in the PRC (the "Endorsed Notes") with a carrying amount of RMB85,180,000 to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Notes, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Notes and the associated trade payables settled. Subsequent to the Endorsement, the Group does not retain any rights on the use of the Endorsed Notes, including sale, transfer or pledge of the Endorsed Notes to any other third parties. The aggregate carrying amount of the trade payables and other payables settled by the Endorsed Notes during the year to which the suppliers have recourse was RMB70,874,000 and RMB14,306,000 as at 31 December 2013, respectively.

Financial assets that are derecognised in their entirety

At 31 December 2013, the Group endorsed certain notes receivable accepted by banks in the PRC (the "Derecognised Notes") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB20,035,000. The Derecognised Notes have a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Notes have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all the risks and rewards relating to the Derecognised Notes. Accordingly, it has derecognised the full carrying amounts of the Derecognised Notes and the associated trade payables. The maximum exposures to loss from the Group's Continuing Involvement in the Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Notes are not significant.

During the year, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Notes. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The Endorsement has been made evenly throughout the year.

12. TRADE AND NOTES PAYABLES

An aged analysis of the trade payables and notes payable as at the end of the reporting period is as follows:

	Group	
	2013	2012
	RMB'000	*RMB'000*
Outstanding balances with ages:		
Within 90 days	155,385	246,730
Between 91 and 180 days	87,380	37,213
Between 181 and 270 days	1,425	801
Between 271 and 360 days	132	45
Over one year	817	530
	245,139	285,319

The trade payables are non-interest-bearing and are normally settled on 90-day terms. The carrying amounts of the trade and notes payables approximate to their fair values. The aggregate carrying amount of the trade payables settled by the Endorsed Notes during the year to which the suppliers have recourse was RMB70,874,000 as at 31 December 2013.

CHAIRMAN'S STATEMENT

RESULTS

The Group has recorded revenue of approximately RMB914,973,000 for the year ended 31 December 2013 (2012: RMB856,539,000), representing an increase of 6.8% as compared to 2012. Profit attributable to owners of the parent was approximately RMB153,099,000 (2012: RMB114,506,000), representing an increase of 33.7% over 2012. The increase in turnover and profit was mainly attributable to that the sales performance of the Group's system specific medicines remained satisfactory.

In 2011, the then Ministry of Health in China launched the rectification program for clinical application of antibacterial medicines, followed by the implementation of the graded administrative measures for antibacterial medicines, which had caused huge impacts on the cephalosporin antibiotics industry and a year-over-year decrease in the usage growth of antibacterial medicines during the past three years. In such highly pressured industry environment, the cephalosporin antibiotics business of the Group had not yet been substantively improved.

As for the system specific medicines of the Group, in general, supported by the past efforts in building the sales network, the sales of this series of products could still remain sound. During the reporting period, the sales volume of the major varieties of the system specific medicines increased at a double-digital growth rate year-on-year. Meanwhile, growth in the total profits from all the major varieties of the system specific medicines outperformed the Group's expectations, whereby making significant contribution to the profits of the Group.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK$0.068 per share for the year ended 31 December 2013, amounting to the total sum of approximately HK$54,683,000 (equivalent to approximately RMB43,365,000), to the shareholders whose names appeared in the register of members as of Friday, 30 May 2014 subject to the approval of the shareholders at the forthcoming 2014 Annual General Meeting (the "2014 AGM"). Taking into consideration the interim dividend of HK$0.02 per share, the total annual dividend distributed for the year is HK$0.088 per share. The dividend payout ratio is approximately 36.6%.

OVERVIEW AND PROSPECT

In 2013, the global economic situation remained complex and tough. In developed countries, the economy was lack of vitality in a sluggish recovery; followed by an explosive growth, emerging economies were entering the stage of adjustment. Faced with the weak global economy, China's export-driven economy was more or less affected, which in turn caused China to encourage domestic consumption with an aim to maintain a moderate economic growth.

Amongst a number of consumption industries, benefiting from the supportive policies of the central government and supported by other various favorable social factors, the business capacity of China's medical and health care industry, along with its related industries, expanded at an impressive annual growth rate. Compared with other manufacturing industries, the business environment for China's pharmaceutical manufacturing industry remained in good conditions in 2013. Despite this, as directed by the governmental policies, China's pharmaceutical enterprises must face the operating pressure from the bidding and tendering of essential drugs, price reduction and more stringent regulatory requirements. However, driven by a package of reforms, China's pharmaceutical market will continue to expand its horizontal and vertical coverage, which in turn will create room and opportunities for the growth and development of resourceful and competent pharmaceutical enterprises.

As the main body of the national medical and health care system, China's public hospitals are the major force to provide the public with basic medical and health care services. Since the initialization of pharmaceutical and healthcare reform, the central government has proactively banished the mechanism of "using overly costly drug prescriptions to subsidize hospital's medical services" which has long been implemented in the hospital system, by formulating and implementing the regulation over the price of medical care services on the one hand and by cracking down on improper operating means and conducts in the pharmaceutical markets on the other, so as to lower the costs of intermediate links. The market believes that the central government will continue to accelerate the reform. China's pharmaceutical enterprises must review and adjust their respective marketing strategies to correctly respond to the ever-changing market environment.

Subsequent to the implementation of new GMP, China's pharmaceutical enterprises must build new workshops or adjust and restructure the existing ones in accordance with all the requirements. Given the stringent requirements, all the relevant projects need huge fiscal resources and manpower. In addition, after the workshops are licensed and put into operation, these enterprises will face heavy operating expenses. The implementation of new GMP, together with other factors including the price reduction of pharmaceuticals and declined profit margins etc., can be considered as the comprehensive check and test on the their capacities in financial position, financing and management. Against this backdrop, there are expectations in the market that some of pharmaceutical enterprises may back out of such relevant projects and shut down their business due to their financial position.

Looking forward to 2014, although the market capacity will continue to grow as a result of various supportive government policies and favorable social drivers, an increasing number of pharmaceutical manufacturers have entered or plan to enter the specific medicines market in all the medical treatment fields, the competition of which the Group expects to be increasing fierce in the future. Furthermore, by the restrictions of the marketing models and due to the fact that pharmaceutical enterprises have to shoulder the operating expenses for workshops that passed the new GMP certification, the Group will act seriously to face the operating pressure arising from a number of unstable factors. The Group will double its efforts to better management, marketing, and risk control, while practically implementing research and development work for the system specific medicines from the perspective of the product level and market positioning according to its own conditions. As for the cephalosporin antibiotics, the Group will use best efforts to maintain local market and brands, while acting appropriately to adjust the business structure of the international market, to broaden the source of profits of the cephalosporin series products. In general, under the condition that the central government and the society will continue to invest resources, the Group remains fully confident in the business development in 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Following 2013, the PRC continues deepening the pharmaceutical and healthcare reform, and thoroughly promotes the "Twelfth Five-year" Plan for the pharmaceutical industry. Now the public hygiene services system, medical services system, medical security system, and drugs supply security system, which cover residents in both urban and rural areas, are gradually established to further expand the consumers' demand and improve the use of medicines. Besides, China also continues to introduce the polices to support the medical reform, including promoting to improve the national system for basic medicines, separation of medical service and pharmaceutical sales, reassessment of generic drugs and continued promotion of the new GMP certification. As a nation with a large population, China experiences the acceleration of aging process in cities. Moreover, due to an improving medical security system, residents' stronger ability to pay, the public's increasing desire of for health is gradually releasing. China is still one of the fastest growing regions in the world in terms of the consumption of pharmaceuticals.

In such broad environment, the Group has centralized resources to develop its system specific medicine portfolio led by cardiovascular drugs, and continued to optimize the corporate distribution and marketing network, thereby solidifying its leading position among the hospitals and retail markets in respect of cardiovascular drugs and drugs for treating hepatitis B. After the reformation of several cephalosporin workshops, the Group adjusted the production scale of its cephalosporin products in a reasonable manner to meet sales demands. With respect to the new GMP certification, the work at Hedong Industrial Park for the new GMP certification was passed, thus laying down a solid foundation for the scale development of the Group's specific medicines. In addition, the work of cephalosporin key products for the new GMP certification had been completed. The Group had endeavored to promote the expansion into overseas markets while enhancing its product quality, and had smoothly completed the quality auditing by several overseas purchasers and official authorities. The Group had gradually accumulated experience and technologies, and gained a good knowledge of the rules of the international markets, which had placed a sound base for the products of the Group to participate global competition with other generic drugs.

PRODUCTION AND SALES

For the period ended 31 December 2013, the Group's production and sales volume of intermediates and bulk medicines decreased by 12.96% and 0.14% respectively, compared with the same period of last year. The production and sales volume of cephalosporin powder for injection decreased by 11.9% and 23.1% respectively, compared with the same period of last year. The decreases were mainly due to the two factors including impacts of the national adjustment policies on antibiotic products and reduction in production volume because of kick-off of the Group's adaptive renovation of GMP workshops in the second half of the year. The production and sales volume of the solid-dosage-forms increased by 38.1% and 25.5% respectively, compared with the same period of last year. The distribution network of the "An" series varieties, being led by the major product "Anneizhen" (安內真) (Amlodipine Besylate Tablets), had been constantly improved. With the strengthening of sales and marketing efforts and over years of academic promotion and clinic application, the curative effect, quality and safety of the products had been fully certificated, and had received high recognition in the professional community. Its market presence was increasing on the existing leading basis, with production and sales volume increased by 43.6% and 26.7% respectively, compared with the same period of last year. The production and sales volume of "Leiyide" (雷易得) (Entecavir Dispersible Tablets) increased by 46.6% and 49.9% respectively, compared with the same period of last year.

NEW PRODUCTS AND PATENT AUTHORIZATION

In 2013, a total of 36 declarations for registration were filed to the State and/or Provincial Food and Drug Administration (including declaration of chemical drug production for 2 items in class 6, supplementary application for 29 items and re-registration for 5 items). 26 supplementary approval documents and 8 re-registration approval documents were obtained.

The patents for two inventions which have been authorized include:

The "preparation method of dual slow-release potassium citrate sustained release preparation" was authorized on 1 May 2013, and the authorization number is ZL201110433102.9; and
The "pharmaceutical composition containing prulifloxacin and the production method thereof" was authorized on 30 October 2013, and the authorization number is ZL201110127310.6.

HONORS AWARDED IN 2013

(1) In July 2013, the anti-hypertensive medicine – the research project of Telmisartan Amlodipine Besylate Tablets was granted the Jiangsu Provincial Technology Support Plan.

(2) In September 2013, the research project of Telmisartan Tablets and its ingredient was granted the National Torch Plan.

(3) In November 2013, "Anneizhen" (安內真) (Amlodipine Besylate Tablets) was jointly recognized by five industry associations including China Pharmaceutical Industry Association as the excellent product brand in cardio-cerebrovascular category of the Chinese pharmaceutical manufacturing industry in 2013. Meanwhile, Suzhou Dawnways Pharmaceutical Co., Ltd. was recognized as one of the top 100 best industry enterprises in terms of comprehensive strength in China's pharmaceutical industry in 2013.

(4) In November 2013, Suzhou Dawnrays Pharmaceutical Co., Ltd. was recognized by the Suzhou Municipal Law Enforcement Leadership Team for Municipal Governance (蘇州市依法治市領導小組) as the advanced enterprise of honest and law-abiding for 2012.

(5) In December 2013, Dawnrays (Nantong) Pharmaceutical Science and Technology Co., Ltd. was recognized by Nantong Municipal Commission of Economy and Information Technology and Nantong Municipal Bureau of Finance as the Nantong Municipal Enterprise Technology Centre.

PROGRESS OF CONSTRUCTION PROJECT OF PRODUCTION FACILITIES

The new GMP certification was completed at Phase I of Hedong Industrial Park of Suzhou Dawnways Pharmaceutical Co., Ltd.

The adaptive renovation for relevant workshops was normally conducted at Suzhou Dawnways Pharmaceutical Co., Ltd.

OUTLOOK

China's pharmaceutical industry will have the following favorable factors in the next few years:

I. Under the guidance of "Twelfth Five-Year Plan", the medical system reform will be further deepened, while the government support for the pharmaceutical sector will be further enhanced. In addition, the gradual improvement of new GMP, GSP and other industry standards will engine the stable and reasonable growth of the pharmaceutical sector.

II. The medicine consumption has entered into a diversified era, with substantially increased consumption levels and increasing enriched consumption methods. The population in medicine consumption will be further increased, leading to persistent growth in the market demand. Overall, the pharmaceutical industry will continue to grow steadily.

III. The international bulk medicine market will gradually pick up in 2014. There is still rigid and positive demand for China's bulk medicines in the international market. It is unlikely to replace the position of China's antibiotics in the international market in the short term as their price maintains competitive advantage.

The key work of the Group in 2014:

(1) The Group's management will continue to optimize and unify the Group's business strategies, reinforce management, introduce talent, and strengthen the construction of teams and marketing networks.

(2) The solid preparation workshop in Hedong Industrial Park commenced full production after passing the new GMP certification. It is expected that the workshop will become the Group's base for the production of high-margin products. As such, the Group will integrate and expand marketing teams and optimize the hierarchical marketing network for system specific medicines, to improve its overall competitiveness.

(3) In the year 2014, the Group will input more efforts in the screening of new products that will be put into R&D, accelerate the R&D process of new products, and strive to launch new products with high potentials, high technological content, and high value addition. By doing so, the Group will covert R&D into products with real values and so to expect that this will lay a solid foundation for the sustainable growth of the Group's profits and the long-term sustainable development of the Group.

(4) Leveraging on the pickup window of bulk medicines, the Group will boost the export of bulk medicines by expanding international regulated markets, and strengthen cooperation with advanced international pharmaceutical companies. In addition, the Group will explore ways to export system specific medicines to Europe, South America and Southeast Asia markets.

(5) With the deepening reform of the medical and healthcare system as well as the essential drug system, tendering and bidding will be critical in the year 2014. The Group has established a special Market Bidding Department to positively act and grasp opportunities and improve winning rate in bidding businesses. Meanwhile, the Group will actively explore the medical terminal markets and develop the third terminals in order to seize more market shares.

(6) The Group will fully tap into the competitive edges of anti-hypertensive drugs and boost the branding and market shares of "An" series cardiovascular drugs. In the meantime, the Group will engine the steady growth of outstanding products such as "Leiyide" (雷易得) (Entecavir Dispersible Tablets) and "Xikewei" (西可韋) (Cetirizine Hydrochloride Tablets), so that system specific medicines will continue to be a solid foundation for the Group to make profits.

(7) Implementation of the new GMP will cause the comprehensive operating costs of the Group to rise. Therefore, the Group will seriously address such impacts, hold on to quality, improve technology, enhance cost control, optimize business flows, push ahead with energy saving and consumption reduction, while increasing income and reducing expenditures, in order to alleviate the pressure on its operation and strengthen its market competitiveness.

FINANCIAL REVIEW

SALES AND GROSS PROFIT

For the year ended 31 December 2013, the Group recorded a turnover of approximately RMB914,973,000, representing an increase of 6.8% compared with the corresponding period of last year. The turnover, increased by RMB58,434,000, of which sales of system specific medicines increased by approximately RMB95,646,000, representing an increase of 31% compared with the corresponding period of last year. Sales of the cephalosporin antibiotics product line decreased by RMB36,340,000, representing a decrease of 6.8% compared with the corresponding period of last year.

Sales amount of finished drugs, comprising system specific medicines, powder for injection and tablets of cephalosporin and other oral solid-dosage-forms of antibiotics, reached approximately RMB550,155,000. Sales amount of finished drugs, accounted for total turnover, was approximately 60.1% which was increased by 4.2 percentage points compared with the corresponding period of last year. Sales amount of the "An" (安) series for treating hypertension accounted for 45.5% of sales of finished drugs. Sales amount of "Leiyide" (雷易得) for treating hepatitis B accounted for 19.5% of sales of finished drugs. Sales amount of "Xikewei" (西可韋) and "Xikexin" (西可新) for treating allergies accounted for 6.4% of sales of finished drugs.

Among the cephalosporin antibiotics product line, sales amount of intermediates and bulk medicines slightly decreased by 3.4% compared with the corresponding period of last year. As for finished drugs, sales amount of cephalosporin powder for injection declined by 19.4% compared with the corresponding period of last year, and sales amount of oral cephalosporin increased by 40.1% compared with the corresponding period of last year.

Export sales amount accounted for approximately 9.9% of the total turnover.

Gross profit was approximately RMB403,248,000 which was increased by RMB78,853,000, representing an increase of 24.3%. Gross profit margin was increased by 6.2 percentage points to 44.1% from 37.9% as in the corresponding period of last year. The main reason for the increase in gross profit margin was attributable to further optimization of product portfolio. The sales of high gross profit system specific medicines maintained steady growth continually. Sales amount of "Leiyide" increased by 42.8% compared with the corresponding period of last year. Sales amount of "An" (安) series increased by 27.6% compared with the corresponding period of last year.

TABLE OF TURNOVER ANALYSIS

PRODUCT	TURNOVER (RMB'000)			SALES BREAKDOWN		
				(%)	(%)	Percentage points
	2013	2012	Changes	**2013**	2012	Changes
Intermediates and Bulk Medicines	**364,818**	377,531	-12,713	**39.9**	44.1	-4.2
Finished Drugs	**550,155**	479,008	71,147	**60.1**	55.9	4.2
Overall	**914,973**	856,539	58,434	**100.0**	100.0	0.0

EXPENSES

During the year, the total expenses incurred were approximately RMB231,479,000, equivalent to 25.3% of turnover (2012: 22.7%). The total expenses increased by approximately RMB37,351,000 compared with the corresponding period of last year which was RMB194,128,000. The increase was mainly due to a year-on-year increase of RMB8,038,000 in the selling expenses and increase in impairment of equipment for GMP adaptive renovation.

SEGMENT PROFIT

For the year ended 31 December 2013, segment results of intermediates and bulk medicines segment recorded losses of approximately RMB15,984,000. The increase of loss by RMB13,931,000 compared with the corresponding period of last year was mainly due to the adaptive renovation of the production workshops in line with new GMP requirements which increased losses from the suspension of operations and provision for impairment of equipment. The segment profit of finished drugs segment was approximately RMB290,059,000, which was increased by approximately RMB68,113,000 when compared with the corresponding period of last year which was RMB221,946,000 .

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

For the year ended 31 December 2013, profit attributable to owners of the parent amounted to approximately RMB153,099,000, equivalent to an increase of RMB38,593,000 or 33.7% compared with the corresponding period of last year. Such substantial increase was mainly because the sales of system specific medicines still maintained fast growth.

ANALYSIS ON THE RETURN ON ASSETS

As at 31 December 2013, net assets attributable to owners of the parent were approximately RMB1,091,737,000. The return on net assets, which is defined as the profit attributable to owners of the parent divided by net assets attributable to owners of the parent, was 14.0% (2012: 11.7%). The current ratio and quick ratio was 1.71 and 1.45 respectively. Turnover days for trade receivables were approximately 60 days. The turnover days for trade receivables including bills receivables were 154 days. Turnover days for inventory were approximately 119 days.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, the Group held cash and cash equivalents of approximately RMB205,771,000 (as at 31 December 2012: RMB155,694,000). During the year, the net cash flows from operating activities was approximately RMB231,262,000 (2012: RMB203,624,000). Net cash flows used in investing activities was approximately RMB83,066,000 (2012: RMB109,329,000). Net cash flows used in financing activities was approximately RMB95,130,000 (2012: RMB34,804,000).

As at 31 December 2013, the Group had aggregate bank facilities of approximately RMB913,073,000 (as at 31 December 2012: RMB1,074,813,000), of which, bank facilities of HK$153,850,000 were secured by corporate guarantee of the Company or its subsidiaries. Of the aggregate bank facilities, including a mortgage loan of HK$13,643,000 and short term bank loans of HK$303,750,000 in total, which were subject to the arrangement of floating interest rate. The loan interest rate ranged from HIBOR plus 1% to 1.5%. The time deposits of approximately RMB257,107,000 were pledged to bank to secure captioned short term bank loans. As at 31 December 2013, the debt ratio (defined as sum of interest-bearing bank loans over total assets) of the Group was 14.4% (as at 31 December 2012: 12.9%).

As at 31 December 2013, the Group had the inventory balance of RMB155,887,000 (as at 31 December 2012: RMB182,918,000).

As at 31 December 2013, the Group's capital commitments amounted to approximately RMB91,355,000 (as at 31 December 2012: RMB153,050,000), which mainly derived from the construction for the workshop for non-cephalosporin solid-dosage-forms preparation in Hedong Industrial Park of Suzhou Dawnrays Pharmaceutical Co., Ltd. and the new GMP reconstruction works for cephalosporin powder for injection workshop and cephalosporin bulk medicines workshop. The Group has sufficient financial and internal resources to bear the capital expenditure.

Save as aforesaid disclosure, the Group had no significant external investments or material acquisitions or disposal of subsidiaries and associated companies during the year.

FOREIGN EXCHANGE AND TREASURY POLICIES

As the Group's substantial business activities, assets and liabilities are denominated in Renminbi, the risk derived from the foreign exchange to the Group is not high. The treasury policy of the Group is to manage any risk of foreign exchange or interest rate (if any) only if it will potentially impose a significant impact on the Group. The Group continues to observe the foreign exchange and interest rate market, and may hedge against foreign currency risk with foreign exchange forward contracts and interest rate risk with interest rate swap contracts if necessary.

STAFF AND REMUNERATION POLICY

As at 31 December 2013, the Group employed approximately 1,110 employees and the total remuneration was approximately RMB102,459,000 (2012: RMB90,563,000). The Group regards human resources as the most valuable assets and truly understands the importance of attracting and retaining high-performance employees. The remuneration policy is generally based on the references of market salary index and individual qualifications. The Group provides its employees with other fringe benefits, including defined contribution retirement schemes, share option scheme and medical coverage. The Group also offers some of its employees stationed in the PRC with dormitory accommodation.

CHARGES ON ASSETS

As at 31 December 2013, the Group's assets with net book value of approximately RMB285,320,000 were pledged to banks to secure credit facilities granted to its subsidiaries (as at 31 December 2012: RMB189,427,000).

CONTINGENT LIABILITIES

As disclosed in the Company's 2012 annual report, a subsidiary of the Group was officially served for two litigation cases of disputes over the balance payment for a construction project in 2012. As at 31 December 2013, the court-appointed auditors were auditing the final accounting for the completion of the project in accordance with the data confirmed by both sides of the plaintiff and defendant, including the relative completed final drawings and works contact records. On 17 February 2014, the subsidiary received auditors' verification report of completion of the project. As there still have many arguments in the report which will be determined by the court, the Group is currently unable to make reliable estimation with reasonable accuracy regarding the outcome of such litigations.

Save as aforesaid disclosure, the Group had no material contingent liabilities.

PLANS FOR SIGNIFICANT INVESTMENTS AND EXPECTED SOURCE OF FUNDING

Save for those disclosed above in connection with capital commitments under the section "Liquidity and Financial Resources", the Group does not have any plan for material investments or acquisition of capital assets.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITES OF THE COMPANY

During the year ended 31 December 2013, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Ltd. (the "Listing Rules") for the year ended 31 December 2013, except for the following deviations:

Code Provision A.6.7 of the CG Code - attendance of Non-executive Directors at general meetings
All Non-executive Directors (including Independent Non-executive Directors) attended the annual general meeting of the Company held on 24 May 2013 other than one Independent Non-executive Director, Mr. Choi Tat Ying Jacky, who was not in position to attend the AGM due to business engagement.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the Directors. Based on specific enquiry of all Directors, the Company confirms that all the Directors have complied with the required standard set out in the Model Code, throughout the accounting period covered by the 2013 annual report.

AUDIT COMMITTEE

The audited financial statements of the Company for the year ended 31 December 2013 have been reviewed by the Audit Committee before recommending them to the Board for approval.

DIVIDEND AND CLOSURE OF REGISTER

The Board has resolved to recommend the payment of a final dividend of HK$0.068 per share payable to shareholders whose names appear in the Register of Members of the Company on Friday, 30 May 2014. The proposed final dividend of HK$0.068 per share, the payment of which is subject to approval of the shareholders at the 2014 AGM of the Company to be held on Friday, 23 May 2014, is to be payable on Wednesday, 11 June 2014 to shareholders.

The register of members of the Company will be closed during the following periods:

(i) from Wednesday, 21 May 2014 to Friday, 23 May 2014, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2014 AGM. In order to be eligible to attend and vote at the 2014 AGM, all transfer of shares of the Company accompanied by the relevant share certificates and the appropriate share transfer forms must be lodged for registration not later than 4:30 p.m. on Tuesday, 20 May 2014 with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. (The current address at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong remains effective till 30 March 2014.)

(ii) from Thursday, 29 May 2014 to Friday, 30 May 2014, both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all transfer of shares of the Company accompanied by the relevant share certificates and the appropriate share transfer forms must be lodged for registration not later than 4:30 p.m. on Wednesday, 28 May 2014 with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. (The current address at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong remains effective till 30 March 2014.)

During the periods mentioned in sub-paragraphs (i) and (ii) above, no transfers of shares will be registered.

APPRECIATION

The Group fully understands the future development foundation, trend, and requirements of the China pharmaceutical market. Led by Ms. Huang Dongmei, the Company's newly appointed Chief Executive Officer (the particulars are set out in the announcement of the Company dated 13 January 2014), the management team will continue to develop operations at home and abroad in a sound and pragmatic operating style, so as to seek reasonable returns for our shareholders.

I would like to take this opportunity to express my heart-felt gratitude for the all-out efforts in coordination and support from our shareholders, business partners, directors, all management personnel and all staff for my work in the previous year.

By Order of the Board
Li Kei Ling
Chairman

Hong Kong, 18 March 2014

As at the date of this announcement, the Board comprises seven Directors, of which three are Executive Directors, namely Ms. Li Kei Ling, Mr. Hung Yung Lai and Mr. Li Tung Ming; one is Non-executive Director, Mr. Leung Hong Man; three are Independent Non-executive Directors, namely Mr. Pan Xue Tian, Mr. Choi Tat Ying Jacky and Mr. Lo Tung Sing Tony.